

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 IO-10 /102 W

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P 021550Z MAY 75

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 1714

C O N F I D E N T I A L MADRID 3011

E.O. 11652: GDS

TAGS: ETRD, SP

SUBJ: ELIGIBILITY FOR GSP BENEFITS

REF: A) STATE 94118 B) MADRID 2255

1. SUBSTANCE REF A CONVEYED TO MFA DIRECTOR GENERAL INTERNATIONAL ECONOMIC AFFAIRS (BASSOLS), HIS INITIAL REACTION WAS THAT USG POSITION ON IMPACT OF EEC REVERSE PREFERENCES WAS NOT UNEXPECTED ALTHOUGH HE WAS DISAPPOINTED THAT SPAIN HAD AGAIN FAILED TO CONVINCE U.S. OF CORRECTNESS SPANISH POSITION THAT PREFERENCES NOT IN VIOLATION GATT AND NO DAMAGE TO U.S. COMMERCE WITH SPAIN HAD RESULTED FROM THEM. HE ALSO EXPRESSED CONCERN THAT GSP MIGHT BE DENIED SPAIN AND AT SAME TIME GIVEN TO SPAIN'S COMPETITORS. THIS, HE SAID, WOULD BE JUST ANOTHER IN A SERIES OF U.S. ACTIONS WHICH WORKED TO SPAIN'S DISADVANTAGE.

2. ACCORDING TO BASSOLS, GOS REALIZES THAT GSP WILL PROBABLY NOT MEAN MUCH IN INCREMENTAL TRADE FOR SPAIN, BUT BEING GRANTED GSP STATUS BY U.S. WOULD BE USEFUL IN NEGOTIATIONS WITH OTHER DEVELOPED COUNTRIES WHERE TRADE EFFECTS OF SPECIAL TREATMENT MIGHT BE MORE VALUABLE.

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ALTHOUGH HE DIDN'T SAY SO, IT IS POSSIBLE THAT GSP

STATUS IN U.S. MARKET COULD BE A USEFUL TOOL IN SEEKING CONCESSIONS FROM THE EEC.

3. IN HIS VIEW, GOS WOULD BE INTERESTED IN CONSULTATIONS IF THERE WAS REALLY ANYTHING TO DISCUSS. HE THOUGHT IT WOULD BE USELESS TO ENTER CONSULTATIONS MERELY TO BE TOLD THAT SPAIN HAD TO DISMANTLE ITS EEC RELATIONS IN ORDER MEET PROVISIONS SECTION 502 (B) (3) BECAUSE IT WAS SPAIN'S INTENTION TO PURSUE PRESENT NEGOTIATIONS LOOKING TOWARD CLOSER SUCH RELATIONS. SINCE HE WAS SURE THAT USG WAS FULLY AWARE OF THIS, HE WONDERED IF INVITATION TO CONSULT WAS REALLY INTENDED AS DEVICE TO DISCUSS OR NEGOTIATE OTHER MATTERS IN A TRADE-OFF RELATIONSHIP, POSSIBLY SPAIN'S ATTITUDE DURING MTN, OR EVEN SOME ASPECT OF BASE NEGOTIATIONS. IF THIS WERE THE CASE, THEN THERE MIGHT BE GROUNDS FOR CONSULTATION AND HE WOULD BE PREPARED TO RECOMMEND THAT A TEAM GO TO WASHINGTON WITHOUT PUBLICITY TO DISCUSS SUBJECT WITH US.

4. EMBOFF RESPONDED THAT EMBASSY HAD NO INFORMATION THAT OBJECT OF PROFFERED CONSULTATIONS WAS OTHER THAN TO DISCUSS MEANS OF REMOVING SUCH SIGNIFICANT ADVERSE EFFECTS ON U.S. TRADE WITH SPAIN AS THERE MIGHT BE IN SPAIN-EEC RELATIONSHIP, BUT THAT EMBASSY WOULD REPORT BASSOLS' COMMENTS TO DEPT FOR ITS CONSIDERATION.

5. COMMENT: BASSOLS REACTION WAS LENGTHY AND SOMEWHAT HEATED. THIS TAKEN TOGETHER WITH THE ELABORATE CASE PRESENTED IN THE NOTE REQUESTING GSP STATUS AND THE CHOLERIC MEDIA REACTION TO SPAIN'S FAILURE TO BE INCLUDED IN THE FIRST LIST OF GSP BENEFICIARIES (EMBTel 2255), SUGGESTS THE GOS SETS SOME STORE, AT LEAST IN ITS PUBLIC STANCE, ON OBTAINING GSP TREATMENT. ALMOST CERTAINLY WE CAN EXPECT A ROASTING IN THE MEDIA IF GSP IS REFUSED, PARTICULARLY IF THE REFUSAL COMES WITHIN THE NEXT SEVERAL MONTHS AND/OR IS PERCEIVED TO BE RESULT OF INADEQUATE CONSIDERATION. IN THIS CONNECTION, WE SHOULD NOT UNDERESTIMATE DEGREE TO WHICH SPANISH FEEL USG IS INSENSITIVE TO THEIR LARGE AND GROWING TRADE DEFICIT WITH U.S. WE SHOULD ALSO KEEP IN MIND THAT A

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NEGATIVE DECISION ON GSP, IF IT IS PERCEIVED BY THE SPANISH TO HAVE BEEN TAKEN WITHOUT ADEQUATELY TAKING INTO ACCOUNT THEIR NEEDS, WILL BECOME PART OF THE EQUATION IN THE AFC NEGOTIATIONS.

6. WITH REGARD TO THE ANALYSIS OF WHETHER THE EEC-SPANISH TRADE RELATIONSHIP HAS AN ADVERSE EFFECT ON U.S. TRADE, IT SEEMS IMPORTANT TO ATTEMPT TO DEFINE

WHETHER THE ONGOING SPANISH NEGOTIATIONS WITH THE EEC WILL OR WILL NOT BE TRADE-CREATING. IF SO, THE CLOSER SPAIN MOVES TO THE EEC, THE MORE LIKELY AN OVERALL POSITIVE TRADE EFFECT IS AND THIS CONCEPT SHOULD BE A CONSIDERATION IN GSP ELIGIBILITY.

7. IF THERE IS NEGOTIATING ROOM ON GSP ELEGIBILITY APART FROM THE QUESTION OF EFFECT OF REVERSE PREFERENCES OR IF CLARIFICATION IS NEEDED OF EFFECTS EEC-SPANISH RELATIONSHIP, WE BELIEVE BASSOLS PROPOSAL HAS MERIT. BUT WE ALSO AGREE THAT THERE SEEMS LITTLE POINT IN DISCUSSING A POSSIBLE WATERING DOWN OF THE SPANISH-EEC RELATIONSHIP IN THIS CONTEXT. THE LATTER HAS TO WEIGH MORE IN SPANISH EYES THAT THE TEMPORARY AND PROBABLY RELATIVELY MINOR ECONOMIC BENEFITS OF GSP.

8. IF WE ARE CONVINCED THAT THE REVERSE PREFERENCES DISQUALIFY SPAIN FROM GSP AND THERE IS NO NEGOTIATING DISCRETION ON THE SUBJECT, THEN WE WOULD BE WELL ADVISED TO TAKE A STRAIGHTFORWARD APPROACH TO THE SPANISH AND NOT RAISE FALSE HOPES BY AGREEING TO CONSULTATIONS WHICH ARE FOREORDAINED TO COME TO NOTHING. STABLER

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